Business Ethics for Real Estate Professionals

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Glossary

Business Ethics—deals with the ethical practices that arise in a business environment.

Code of Conduct—generally addressed to and intended for employees alone. It usually sets out restrictions on behavior and will emphasize compliance and rules.

Corporate Social Responsibility—a term used to create a higher level of accountability, trust, and understanding between businesses and consumers.

Code of Practice—identifies professional responsibilities in relationship to difficult issues and provides a clear directive as to what behavior is considered ethical or correct.

Unethical Behavior—any action that falls outside of what is considered morally right or proper for a person, a profession or an industry.

Whistleblower—a person who exposes any kind of information or activity that is deemed illegal or unethical.

Code of Ethics—improves the professionalism and reliability of the real estate industry.

Preamble—contains a number of thoughts as to how licensees should conduct themselves.

Articles—outline the way that REALTORS® should conduct their activities both personally and professionally.

Standards of Practice—are designed to support, interpret, and amplify an Article.

Dispute Resolution—designed to assist licensees who are unable to resolve a difficulty.

Ombudsman Program—a form of informal dispute resolution which focuses on communication and finding mutual, non-coerced agreement between the parties.

Mediation—an informal intervention process conducted by a trained third party.

Ethics Complaint—gives members of the public an alternative to legal action, saving time and money for licensees and consumers.

Grievance Committee—conducts a review of the complaint to determine if a possible violation of the Code of Ethics has occurred.

Hearing Panel—the group that conducts any full "due process" hearings.

Arbitration—arbitration issues are typically monetary disputes among broker members of the Association.

Pathways to Professionalism—a list of professional courtesies that agents should follow.

LEARNING OBJECTIVES

Upon completion of this module, the student will be able to:

1. Define business ethics.
2. List examples and causes of unethical behavior.
3. Describe the strategies for establishing an ethical business culture.
4. Discuss the history of the code of ethics.
5. Explain the Preamble to the Code.
6. Discuss the Code's Articles and Standards of Practice.
7. Explain how changes to the Code are made.
8. Describe the informal ombudsman program of Code enforcement.
9. Discuss mediation.
10. Explain how ethics complaints are handled.
11. Discuss arbitration.
12. Describe the Pathways to Professionalism.

BUSINESS ETHICS

Definition

Business ethics deals with the ethical practices that arise in a business environment. It applies to all aspects of business activities and is relevant to the conduct of a few individuals in an organization or the entire organization as a whole. Business ethics is an ever-changing subject because it is rooted in the fluid nature of laws, official guidelines, cultural norms, contemporary standards of behavior, and societal perceptions.

In this chapter, we will first look at business ethics from a broad-brush viewpoint and get a basic understanding of the interaction between business practices and ethics. Then we will focus on ethics as it relates to the real estate industry, and how the concept of ethics is formally enforced in the real estate industry.

Overview

Hardly a day goes by without hearing a media announcement regarding unethical business practices uncovered by an investigative reporter. Unethical business practices are certainly not a new or recent phenomenon. If you remember back to your ancient history class in grade school, surely your teacher covered the Code of Hammurabi, which was a Babylonian law code of ancient Mesopotamia, dating back to about 1754 BC. The Code identified a number of topics such as:

- **Slander—Law #127:** "If anyone points the finger at a sister of a god or the wife of any one, and cannot prove it, this man shall be taken before the judge, and his brow shall be marked."
- **Trade—Law #265:** "If a herdsman, to whose care cattle or sheep have been entrusted, be guilty of fraud and make false returns of the natural increase, or sell them for money, then shall he be convicted and pay the owner ten times the loss."
- **Slavery—Law #15:** "If anyone takes a male or female slave of the court, or a male or female slave of a freed man, outside the city gates, he shall be put to death."
- **Duties of Workers—Law #42:** "If anyone takes over a field to till it, and obtain no harvest therefrom, it must be proved that he did no work on the field, and he must deliver grain, just as his neighbor raised, to the owner of the field."
- **Theft—Law #22:** "If anyone commits a robbery and is caught, then he shall be put to death."
- **Trade—Law #104:** "If a merchant give an agent corn, wool, oil, or any other goods to transport, the agent shall give a receipt for the amount, and compensate the merchant therefor. Then he shall obtain a receipt from the merchant for the money that he gives the merchant."
- **Liability—Law #53:** "If anyone be too lazy to keep his dam in proper condition, and does not so keep it; if then the dam break and all the fields be flooded, then shall he in whose dam the break occurred be sold for money, and the money shall replace the corn which he has caused to be ruined."

In the Middle-Ages, the chivalric code was a code of conduct associated with the medieval institution of knighthood which developed between 1170 and 1220. The code of *chivalry* emphasized bravery, military skill, generosity in victory, piety, and courtesy to women.

Over the centuries other rules, guidelines, and laws have been instilled into our business practices. Western civilizations have drawn upon a number of sources to develop rules for behavior, such as Roman law, canon law, and the Justinian Code.

The term "business ethics" came into common usage in the 1970s. By the mid-1980s at least 500 courses in business ethics were offered at colleges and universities nationwide. This effort was supported by at least some twenty textbooks being published at the same time.

Firms started highlighting their ethical standing in the late 1980s to try to distance themselves from the current business scandals, such as the savings and loan crisis.

Ethics is the body of rules or standards that govern our decisions. Some individuals equate ethics with conscience or a sense of right from wrong. Others say that ethics is an internal code that governs an individual's conduct, ingrained into each person by family, faith, tradition, community, laws, and personal mores. Most professional organizations have a written "Code of Ethics" that governs standards of professional conduct expected of all in a chosen field.

It is important to note that "law" and "ethics" are not synonymous, nor are the "legal" and "ethical" courses of action in a given situation necessarily the same. Statutes and regulations passed by legislative bodies and administrative boards set forth the "law" but do not rise to the level of defining specific ethical behaviors. This dichotomy is glaringly apparent in the practice of slavery that was once legal in the U.S., but certainly was not an ethical act.

Corporate Social Responsibility

Over the years the concept of Business Ethics has expanded to ensure a level of trust between businesses and consumers. Terms such as corporate accountability and corporate social responsibility are now used to create a higher level of accountability, trust, and understanding between businesses and consumers. For example, a company who encourages its employees to serve on local environmental protection boards or projects may be perceived as being socially responsible and therefore trusted to be more accountable than an organization that does not provide the same type of volunteer activity. A company that sponsors little league teams may be perceived as caring about children and the community.

To help create a stronger public image and build trust in the community, many companies are actively engaged in Corporate Social Responsibility projects. Some companies such as Deloitte offer their employees unlimited time to volunteer in the community. Others such as PCL Construction offer their employees up to 50 hours per year in paid time off for volunteering. Many businesses will offer some type of incentive or matching programs for donations that their employees make to the community.

While it is tough to measure the exact impact these types of activities have on a business, generally speaking the businesses are seen as being responsible, trustworthy, and often as great places to work. This in turn should lead to a more secure standing in the community and more revenue.

Codes That Regulate Behavior

Many companies use the phrases ethical code, code of conduct, and code of practice interchangeably, but there are distinctions. A *code of ethics* sets out the values that underpin the code and describes a company's obligation to its stakeholders. The code is publicly available to anyone with an interest in the company's activities and the way it does business. It will include details of how the company plans to implement its values and vision, as well as guidance to staff on ethical standards and how to achieve them.

A *code of conduct* is generally addressed to and intended for employees alone. It usually sets out restrictions on behavior and will emphasize compliance and rules. Many employers have taken the code of conduct and broken it down even further into a series of fundamentals that explain exactly how each section of the code of conduct is to be interpreted. For example, what does "treat each other with respect" really mean? Instead of a simple bullet point, a fundamentals document will likely give the topic a paragraph or so of coverage to clearly define what that means in the course of business.

A *code of practice* is adopted by a profession, a governmental agency, or non-governmental organization to regulate their operations. A code of practice identifies professional responsibilities in relationship to difficult issues and provides a clear directive as to what behavior is considered ethical or correct. As a group member, failure to comply with a code of practice can result in expulsion from the professional organization.

A social contract is used by some organizations as a standard way to deal with internal issues in the organization. Typically, all employees will agree to the social contract which outlines how disputes will be resolved, and generally encourages strong communication to bring issues forward and resolve them in meaningful and ethical ways.

The Ethics Codes Collection (ECC)

Today, business ethics is an important aspect of all organizations as noted by the creation of the Center for the Study of Ethics in the Professions, which is located in Chicago, Illinois. This organization operates the Ethics Codes Collection (ECC), which is the largest database of codes of ethics and guidelines in the world. It contains over 2,500 individual codes from approximately 1,500 different organizations and collects both current and historical versions of these documents. ECC's goal is to provide practitioners, students, scholars, and the public access to codes of ethics for the purpose of assisting ethical decision making in professional, entrepreneurial, scientific, and technological fields.

Business Ethics Magazine

In the publishing sector, the study of ethics has its own dedicated magazine called *Business Ethics*. Now an online-only magazine, it discusses current topics in the fields of ethics, governance, corporate responsibility, and socially-responsible investing. The mission of *Business Ethics* is "to promote ethical business practices, to serve that growing community of professionals and individuals striving to work and invest in responsible ways."

Ethics Officers

Another indication of how important ethics has become in business operations is the emphasis placed on the role of ethics officers in large organizations. Ethics officers, sometimes called compliance officers, have now been formally appointed to the organizational structure since the mid-1980s. One of the catalysts for the creation of this new role was a series of fraud, corruption, and abuse scandals prevalent in the U.S. defense industry at that time. Another critical factor in the decision of companies to appoint ethics officers was the passing of the Federal Sentencing Guidelines for Organizations in 1991, which set standards for organizations to follow in order to obtain a reduction in sentence if they should be convicted of a federal offense.

As a result of the backlash of numerous corporate scandals between 2001 and 2004 affecting large corporations like Enron, WorldCom, and Tyco, even small and medium-sized companies began to appoint ethics officers. Ethics officers are responsible for assessing the ethical implications of the company's activities, making recommendations regarding policies, and training employees in ethical practices. Emphasis on ethical practices is partly due to the Sarbanes–Oxley Act, which was a response to the business scandals that took place in the early 2000s.

The Sarbanes–Oxley Act of 2002

The Sarbanes–Oxley Act of 2002, enacted July 30, 2002 and also known as Sarbox or SOX, is a federal law that set new or expanded requirements for all U.S. public company boards, management organizations, and public accounting firms. The act contains eleven sections, ranging from additional corporate board responsibilities to criminal penalties, and requires the Securities and Exchange Commission (SEC) to implement rulings on requirements to comply with the law.

The bill was enacted as a reaction to a number of major corporate and accounting scandals including those affecting Enron, Tyco International, Adelphia, Peregrine Systems, and WorldCom. Investors invested in these companies presuming that the accounting was accurate, and therefore share prices and profitability was also accurate. It was later discovered that the financial teams in these companies had made false statements or "cooked the books" resulting in much lower profits and valuations. These scandals, which cost investors billions of dollars when the share prices of affected companies collapsed, shook public confidence in the nation's securities markets.

Debate continues over the perceived value of SOX. Opponents say the bill has reduced America's international competitive edge against foreign financial service providers due to overly complex regulatory rules now operating in the U.S. financial markets. Proponents of the measure say that SOX has been a blessing for improving the confidence of fund managers and investors regarding the legitimacy of corporate financial statements.

Unethical Behavior

Unethical behavior is any action that falls outside of what is considered morally right or proper for a person, a profession or an industry. Individuals can behave unethically, as can businesses, professionals and politicians. The following lists identify some behaviors that would be considered as unethical.

Unethical Behavior by Individuals

- Lying to a spouse
- Stealing money from the petty cash drawer
- Misrepresenting skills on a job
- Taking credit for work you didn't do
- Cheating on an exam
- Sexually harassing someone at work
- Selling a house and not disclosing known defects
- Selling a car and lying about the vehicle's history

Unethical Behavior by Businesses

- Polluting the environment
- Keeping two sets of accounting books

- Not properly classifying a worker as an employee but as a an independent contractor to avoid payroll taxes
- Engaging in price fixing to force competitors out of the market
- Using false advertising tactics to attract customers
- Rolling back the mileage on a vehicle that is for sale
- Knowingly selling counterfeit goods
- Knowingly releasing products with defects
- Failing to properly test products before delivery

Unethical Behavior by Professionals

- Dating clients or patients
- Receiving a kick-back for writing unnecessary brand name drug prescriptions
- Performing unnecessary procedures in order to receive additional insurance payments
- Representing parties on both sides of a transaction without full disclosure and approval
- Receiving insurance premiums and not informing the underwriters of an active policy
- Greatly exaggerating personal experiences in a public forum
- Being untruthful on a resume
- Claiming to possess degrees that were not earned or claiming degrees that were simply purchased

Unethical Behavior by Elected and Government Officials

- Obtaining private tax information about a political opponent and using that information in a campaign
- Accepting contributions that violate campaign finance laws
- Using money that was donated to a campaign for non-approved expenses
- Using a position of power to coerce individuals into a sexual relationship
- Demanding kickbacks for permit approvals and special favors

Causes for Unethical Behavior

There are five basic causes or reasons for breaches in ethical behavior. Unethical behavior may be based on any one or a multiple of the following reasons:

- **Financial Advantage** – A financial advantage allows a firm or individual to produce goods and/or services at a lower cost than other firms or individuals. Seeking a financial advantage gives a company the ability to sell goods and services at a lower price than its competitors and realize stronger sales margins. The problem occurs when an organization violates ethical standards to gain an advantage, for example, when a food processor substitutes a less expensive ingredient in a product and fails to inform consumers.
- **Power** – Power is the ability to influence or control the behavior of people. Some organizations and individuals seek power in order to dominate a business activity through unethical means, for example, when an elected official exceeds his or her authority by implementing an illegal executive order.
- **Hubris** – Hubris indicates a loss of contact with reality and an overestimation of one's own competence, accomplishments, or capabilities. Hubris is usually perceived as a characteristic of an individual, but organizations have been known to practice hubris behavior as well. For example, some lending institutions practiced hubris behavior during the heyday of mortgage lending. These lenders disregarded the consequences of approving a bad risk loan and passed the liability off to the secondary market.
- **Fear** – Fear is a feeling induced by perceived danger or threat. The fear of being fired, banished from the group or injured may drive an individual to act in an unethical manner, for example, an automobile engineer that is pressured to falsify auto emissions test results that are given to the EPA.
- **Misguided Loyalty** – Individuals sometimes lie because they think they are being loyal to the organization or their boss. For example, soldiers at the Abu Ghraib prison camp tortured and abused prisoners for the sake of eliciting military intelligence at any cost and then lied about their involvement.

Whistleblowers

In today's society of social media and unprecedented media coverage, most unethical behavior is challenged and exposed at some point in time. This "outing" is typically the result of the acts of a whistleblower. A whistleblower is a person who exposes any kind of information or activity that is deemed illegal or unethical. The information of alleged wrongdoing can be classified in many ways. Such as:

- A violation of company policy

- A violation of laws and regulations
- A threat to public interest/national security
- An act of fraud
- An indication of corruption

Those who become whistleblowers can choose to bring allegations to the surface either internally or externally. Internally, a whistleblower can bring accusations to the attention of other people within the organization. Externally, a whistleblower can bring allegations to light by contacting a third party outside of an accused organization. Whistleblowers can reach out to the media, government, or law enforcement.

Currently, there is a patchwork of federal and state laws which protect whistleblowers from retaliation. Whistleblowers must be aware of all the laws and comply with any deadlines when making a proper complaint. Those who report a false claim against the federal government, and suffer adverse employment actions as a result, may have up to six years (depending on state law) to file a civil suit for remedies under the False Claims Act.

Following is just a sampling of whistleblowers who have captured the attention of the news and social media:

- **Adam B. Resnick – Omnicare**

  Resnick sued the pharmaceutical company Omnicare, a major supplier of drugs to nursing homes. Omnicare allegedly paid kickbacks to nursing home operators in order to secure business, which constitutes Medicare and Medicaid fraud. In 2010, Omnicare settled a False Claims Act suit filed by Resnick and taken up by the U.S. Department of Justice by paying $19.8 million to the federal government, while the two nursing homes involved in the scheme settled for $14 million.

- **Justin Hopson – New Jersey State Police**

  During his first few days as a rookie, Hopson witnessed an unlawful arrest and false report made by his training officer. When he refused to testify in support of the illegal arrest, he was subjected to hazing and harassment by his fellow troopers. He uncovered evidence of a secret society within the State Police known as the Lords of Discipline, whose mission it was to keep fellow troopers in line. Trooper Hopson blew the whistle on the Lords of Discipline, which sparked the largest internal investigation in State Police history. Hopson filed a federal lawsuit alleging that after he refused to support the arrest, Hopson was physically assaulted, received threatening notes, and his car was vandalized while on duty. In 2007, the State of New Jersey agreed to a $400,000 settlement with Hopson. Justin Hopson and his book were featured on ABC News 20/20 "Confessions of a Cop" in 2012 and "Crossing the Line" in 2014.

- **John Kiriakou – Central Intelligence Agency**

  In an interview given to ABC News in 2007, CIA officer Kiriakou disclosed that the agency waterboarded detainees and that this constituted torture. In the months following, Kiriakou passed the identity of a covert CIA operative to a reporter. He was convicted of violating the Intelligence Identities Protection Act and sentenced on January 25, 2013 to 30 months' imprisonment.

- **Cathy Harris – United States Customs Service**

  As a former United States Customs Service employee, Harris personally observed numerous incidents of black travelers being stopped, frisked, body-cavity-searched, detained for hours at local hospitals, forced to take laxatives for bowel inspection purposes and subjected to public and private humiliation. Her book, "Flying While Black: A Whistleblower's Story" contains detailed accounts of such treatment.

- **Chuck Blazer – The Fédération Internationale de Football Association (FIFA)**

  The former FIFA executive, cooperating with the FBI on a major corruption inquiry, has admitted that he and other members of the executive committee were bribed in return for voting for South Africa's bid for the 2010 World Cup.

- **John Tye – U.S. State Department**

  Former State Department official John Tye released an editorial in The Washington Post in July 2014, highlighting concerns over data collection under Executive Order 12333. Tye's concerns were rooted in the massive amounts of private confidential content that is sucked up by the National Security Agency.

Developing an Ethical Business Culture

Ethics starts at the top of the organization by leadership that is keenly aware of the importance of fair and equal treatment of all clients, employees, suppliers, shareholders and the general public. Establishing an ethical business culture is based on a number of targeted strategies.

1. **Establish Clear Expectations**

   Most organizations have a set of by-laws, slogans, mottos, policy manuals and some type of written performance standards for all employees to follow. Too often, this information is piled on the desk of the new hire on his or her first day on the job. The new hire is instructed to read the lofty prose but is not provided any additional directions or expected to give any feedback. Within a few weeks on the job, the new hire discovers how the organization truly operates and begins to understand the discrepancies between printed expectations and the realities of the actual work environment. Clear expectations should not only be in the written records of the company, but also must accurately reflect the actual ethical behavior expected.

2. **Model Desired Behavior**

   Employees model their behavior after those in higher positions. Organizational leaders must practice what they preach and demonstrate by their actions which behaviors are expected within the ranks. The statement that actions speak louder than words is a true axiom.

3. **Provide Ethics Training**

   Providing seminars and workshops on ethical topics demonstrates to everyone the importance that the organization places on ethical performance and reinforces the organization's standards of conduct.

4. **Treat All Complaints Seriously**

   Employees who notify management of ethics violations should be treated in a supportive and earnest manner. Avoiding or ignoring complaints only results in the complaint being submerged and creating problematic friction in the organization.

5. **Hire Ethical/Fire Unethical Employees**

   Members in the same profession network frequently regardless of which company they actually work for. Consider that when individuals change companies, chances are high that their reputation precedes them. Hiring a top-flight sales representative with a checkered past signals to other employees that behavior takes a backseat when it comes to meeting performance quotas.

   When an employee demonstrates unethical practices, even after corrective counselling has taken place, the organization has to have the courage to terminate the individual. Failure to do so sends a message that rules are just transparent rhetoric that can be circumvented without any consequences.

6. **Reward Ethical Acts**

   Employees who take the high road and make tough decisions while maintaining high ethical standards should be rewarded by the organization.

7. **Provide Protective Mechanisms**

   The organization needs to provide formal mechanisms so that employees can discuss ethical dilemmas and report unethical behavior.

8. **Provide Corrective Feedback**

   Organizations need to reinforce behavior that is desired, but they must also be ready to take corrective action when behavior is unacceptable.

9. **Provide Periodic Reminders**

   The demands of daily business operations oftentimes overshadow the intangible tenant of ethical behavior. Thus, the organization needs to remind all staff members periodically of the importance of conducting day-to-today business operations in an ethical fashion.

ETHICS IN REAL ESTATE

Practicing with high ethical standards in real estate is critical because it involves doing what is right and proper. A broker and his or her agents must always act in the best interests of both the client and any third parties to a transaction. As discussed earlier, ethics have nothing to do with legality. Laws tend to set minimum standards for acceptable behavior. We have all heard stories about the sales associate who had a party at a house that he or she had listed, or about the agent who ate steaks out of the client's refrigerator. While these actions are not directly part of real estate license law, most would agree that they are not examples of ethical behavior. Ethics tends to deal with what is right. An act can be legal, but unethical. Good ethical practices have to do with *trustworthiness, honesty, and competence.*

The next sections of this chapter will discuss in detail the professional code of ethics that members of the National Association of REALTORS® (NAR) must follow. But membership in NAR is not mandatory and many real estate agents are not members. It is important to stress that ALL persons in the real estate profession should follow ethical standards, regardless of whether or not membership in an organization requires them to do so. Performing job duties in an ethical manner is good for business.

Professional Code of Ethics

Many states require licensees to follow a professional code of ethics. Much of the information found in the professional code of ethics in real estate has come from three sources.

- Federal and state laws which focus on anti-discrimination laws and fair trade practices
- Real estate licensing regulation on the state level dealing primarily with agency issues and disclosures
- Self-regulation by real estate associations that set standards for professional conduct

Members of the National Association of REALTORS® (NAR), who are known by the REALTOR® designation, follow a very strict code of ethics. Many state real estate commissions have chosen to incorporate this code into the state-level rules and regulations directing the conduct of licensees in their particular states. This Code of Ethics gives REALTORS® a higher standard than the laws to strive toward.

History of the Code of Ethics

The National Association of REALTORS® was formed in 1908 as the National Association of Real Estate Exchanges. In 1913, the Association adopted the industry's first code of ethical conduct to protect the public and encourage licensee professionalism and honesty. The National Association of Real Estate Exchanges was renamed The National Association of Real Estate Boards (NAREB) in 1916 and then became the National Association of REALTORS® (NAR) in 1972.

At the time the Code of Ethics was adopted, there were no state licensing laws and no standard of conduct for the industry. NAR established the Code of Ethics as a professional standard of conduct, and through the years the Code of Ethics became a basis for license laws. REALTORS® were among the first professions to adopt a professional code of ethics for their business practices. The code is a promise of professionalism.

The Code of Ethics improves the professionalism and reliability of the real estate industry. It aids consumers by requesting that licensees be truthful and honest in all communications and always place their client's interests above their own. It requires disclosure of material facts concerning properties and transactions. The Code also encourages competition, but at the same time it requires that competition to be less important than the interests of the client.

REALTORS® are subject to disciplinary action and sanctions if they violate the duties imposed by the Code of Ethics.

Structure of the Code of Ethics

The REALTOR® Code of Ethics holds members of local Associations of REALTORS® to an even higher standard than the law requires. The Code of Ethics is a detailed document that spells out the professional responsibilities of every REALTOR®. The Code consists of seventeen Articles and related Standards of Practice.

The Articles call for professionals to observe the "Golden Rule" and to conduct themselves and their real estate business in accordance with certain standards. The Code itself is comprised of four sections:

- Preamble
- Duties to Clients and Customers
- Duties to the Public
- Duties to REALTORS®

The Preamble contains a number of concepts but no specific requirements for a licensee's conduct. The Duties sections contain all of the Articles dealing with the conduct expected and required of licensees.

Note: You can find a copy of the NAR Code of Ethics on the Florida Realtors® website at www.floridarealtors.org. Click on the "Legal Center" tab on the left to find the Code of Ethics link. Print a PDF copy of the Code from this location and follow along as we discuss the sections.

The Preamble

The Preamble contains a number of thoughts as to how licensees should conduct themselves. Based on the ideas put forth in the Preamble, licensees should:

- Endeavor to become and remain informed on issues affecting the real estate industry.
- Make an effort to identify and take action to aid in the elimination of practices that are damaging to the public or those actions which might discredit the real estate industry. They can do this by enforcing the Code and by assisting regulatory agencies.
- Share their knowledge and experience with others.
- Report to the appropriate Board of REALTORS® the knowledge of any actions involving misappropriation of client or customer funds or property, willful discrimination, or fraud.
- Refrain from attempting to gain unfair advantage over their competitors.
- Avoid making unfair comments about other licensees.
- Endeavor to represent clients exclusively.
- Offer an opinion in an objective, professional manner, uninfluenced by any personal motivation or potential advantage or gain.

The Preamble ends with a statement that REALTORS® should pledge to observe the *spirit* of the Code in all of their activities both personal and professional and to conduct their business in accordance with the tenets presented in the Articles.

The Articles

The Preamble is followed by seventeen (17) Articles divided up under the headings of Duties to Clients and Customers, Duties to the Public, and Duties to REALTORS®.

Duties to Clients and Customers

Articles 1-9 deal with these duties:

- **Article 1** – REALTORS® protect and promote their clients' interests while treating all parties honestly.
- **Article 2** – REALTORS® refrain from exaggeration, misrepresentation, or concealment of pertinent facts related to property or transactions.
- **Article 3** – REALTORS® cooperate with other real estate professionals to advance their clients' best interests.
- **Article 4** – When buying or selling on their own account or for their families or firms, REALTORS® make their true position or interest known.
- **Article 5** – REALTORS® do not provide professional services where they have any present or contemplated interest in property without disclosing that interest to all affected parties.
- **Article 6** – REALTORS® cannot accept any commission, rebate, or profit on expenditures made for a client without the client's knowledge and consent and must disclose any fee or financial benefit they may receive from recommending related real estate products or services.
- **Article 7** – REALTORS® receive compensation from only one party except where they make full disclosure and receive informed consent from their client.
- **Article 8** – REALTORS® keep entrusted funds of clients and customers in a separate escrow account.
- **Article 9** – REALTORS® make sure that contract details are spelled out in writing and that parties receive copies.

Duties to the Public

Articles 10 – 14 deal with the public:

- **Article 10** – REALTORS® give equal professional service to all clients and customers irrespective of race, color, religion, sex, handicap, familial status, or national origin.
- **Article 11** – REALTORS® are knowledgeable and competent in the fields of practice in which they engage or they get assistance from a knowledgeable professional, or disclose any lack of expertise to their client.
- **Article 12** – REALTORS® paint a true picture in their advertising and in other public representations.
- **Article 13** – REALTORS® do not engage in the unauthorized practice of law.
- **Article 14** – REALTORS® willingly participate in ethics investigations and enforcement actions.

Duties to REALTORS®

The last three Articles deal with duties to colleagues:

- **Article 15** – REALTORS® make only truthful, objective comments about other real estate professionals.

- **Article 16** – Respect the exclusive representation or exclusive brokerage relationship agreements that other REALTORS® have with their clients.
- **Article 17** – REALTORS® must mediate or arbitrate financial disagreements with other REALTORS®, provided the clients agree to be bound by any resulting agreement or award.

Standards of Practice

The Articles of the Code are very broad statements of conduct. Associated with the Articles are one or more Standards of Practice which are designed to support, interpret, and amplify that Article.

When someone files an ethics complaint against a licensee, **only Articles may be named**, never anything contained in the Preamble. Also, REALTORS® **cannot be found in violation of a Standard of Practice,** only in violation of the associated Article. However, Standards of Practice may be referenced to support an alleged Article violation.

Each of the Articles has some number of Standards of Practice associated with it as follows:

- Article 1 – 16 Standards of Practice
- Article 2 – 3 Standards of Practice
- Article 3 – 10 Standards of Practice
- Article 4 – 1 Standards of Practice
- Article 5 – 0 Standards of Practice
- Article 6 – 1 Standards of Practice
- Article 7 – 0 Standards of Practice
- Article 8 – 0 Standards of Practice
- Article 9 – 2 Standards of Practice
- Article 10 – 4 Standards of Practice
- Article 11 – 4 Standards of Practice
- Article 12 – 13 Standards of Practice
- Article 13 – 0 Standards of Practice
- Article 14 – 4 Standards of Practice
- Article 15 – 3 Standards of Practice
- Article 16 – 20 Standards of Practice
- Article 17 – 5 Standards of Practice

You can read the Standards of Practice associated with each article in your printed copy of the Code of Ethics.

Changes to the Code

When needed, amendments to the Code and the Standards of Practice are made annually at the NAR Midyear Meetings and the REALTORS® Conference and Expo.

NAR has a group of members who belong to an Interpretations and Procedures Subcommittee. This body frequently makes recommendations to the Professional Standards Committee about enhancements to professional standards procedures and to the Code of Ethics.

All changes that are proposed to the Code and to the policies and procedures by which the Code is enforced must be approved by the Board of Directors. Amendments to the 17 Articles must also be approved by the Delegate Body.

The Code and the Law

It's important to note the following:

- The Code must be reasonably and consistently construed with the law.
- The Code imposes duties above and in addition to the duties imposed by law or regulation.
- The Code restates certain fundamental legal principles, for example those principles dealing with contracts, agency, and fair housing.

Enforcing the Code of Ethics

Local Associations of REALTORS® are responsible for enforcing the Code of Ethics, both in providing mediation and in holding arbitration hearings.

Only NAR members are subject to the Code of Ethics. Those associations in which REALTORS® are members or use the MLS in some capacity have authority over those persons to receive and decide ethics complaints and arbitration requests.

However, *associations do not determine whether licensees have violated any laws or real estate regulations.* Only the proper regulatory authority or court can make that kind of assessment.

Many times, the difficulties that arise between real estate professionals result from misunderstanding, miscommunication, or lack of satisfactory communication. When those situations arise, they can often be resolved through practical conversation about the matter causing the difficulty, thus reducing or even eliminating the need to take the matter any further.

However, if it happens that the licensees are unable to resolve a difficulty on their own; there are two courses of action available:

- Take advantage of informal dispute resolution.
- File an ethics complaint or an arbitration request.

Informal Dispute Resolution

There are two avenues for informal dispute resolution:

- Using an ombudsman
- Submitting to mediation

Ombudsman

The first form of informal dispute resolution is working with an ombudsman. This is a voluntary process. Ombudsmen do not participate in any formal or adjudicative process. They focus on communication and finding mutual, non-coerced agreement between the parties rather than determining who is right and who is wrong. Ombudsmen do not establish whether ethics violations have taken place. They foresee, recognize, and help settle misunderstandings and differences before they become full-blown disputes that can result in charges of unethical behavior.

Real Estate Ombudsman Programs

Ombudsman programs in real estate are available only if the local association of REALTORS® offers the service. Since the program is voluntary for both REALTORS® and consumers, either or both parties involved in the dispute may refuse to use ombudsmen services.

Persons who serve as ombudsmen in real estate should be familiar with the Code of Ethics, their state's real estate regulations, and existing real estate practices. An ombudsman could be a REALTOR®, a staff member, or any number of other individuals as long as he or she possesses a good knowledge of real estate practices.

An ombudsman can answer questions and research complaints dealing with real estate transactions and issues surrounding ethical practices and the Code of Ethics. Ombudsmen can also reply to inquiries and complaints about members, arrange meetings, and assemble the parties who are having the dispute.

If an ethics complaint is resolved through an ombudsman, the complaint is considered discharged. If a member fails or refuses to comply with the terms of a mutually agreed upon decision, the complaining party can then file or re-file an ethics complaint.

Mediation

The second form of informal dispute resolution involves submitting to mediation. Mediation is an informal intervention process conducted by a trained third party, called a mediator. The aim of this process is to bring two parties together to sort out misunderstandings, expose concerns, and achieve a resolution. The process is voluntary, although sometimes it may be advised by an entity or agency.

During the mediation, each side will present its evaluation of the issue. The mediator will work with each party in an effort to work out a settlement. At the end of the process, the mediator can present his or her findings along with a possible solution. The mediation process is **non-binding**. The mediator does not force a decision on the parties, but instead tries to offer a solution that is acceptable to both parties. Mediation is often used to avoid taking a case to court.

Mediation is the preferred dispute resolution method of REALTOR® organizations because it is a way to generate a mutually-acceptable decision regarding a disagreement without having a judgment imposed by a hearing panel.

Mediation is also a voluntary process and one which must be available to all REALTORS®. Local associations have the option of offering mediation to the disputing parties before or after a grievance committee's review of any arbitration requests. If the association offers mediation before a grievance review, then they must offer it again after the grievance committee makes its determination on whether the matter is actually appropriate for arbitration.

In the real estate mediation process, the parties meet with a mediator who is appointed by the association. They follow the same process previously described. Then if they reach an agreement, the parties express the terms of the agreement in a signed document and an arbitration hearing becomes unnecessary.

Formal Dispute Resolution

The avenues for formal dispute resolution include:

- Ethics complaints
- Arbitration

Ethics Complaints

Ethics complaints are based on violations of the Code of Ethics. Anyone can file an ethics complaint – a member of the public or a licensee. Filing an ethics complaint through the local association gives members of the public an alternative to legal action, saving time and money for licensees and consumers.

Since complaints are based on Code violations, the person filing the complaint must list the Article or Articles of the Code that were violated. Once a complaint is filed, two groups of people are responsible for dealing with them:

- Grievance committee
- Hearing panel

The **grievance committee** is made up of members of the association. These members conduct a review of the complaint to determine if a possible violation of the Code of Ethics has occurred. This review is **not** a hearing on the merits, but rather a preliminary analysis to determine if the complaint calls for a hearing.

The grievance committee members will confirm the following information:

- The complaint was filed in the proper format.
- The appropriate parties are named in the complaint.
- It was filed within 180 days.
- Specific relevant articles are cited in the complaint, appropriate Standards of Practice are included as support if needed, and no inappropriate articles are cited.
- There is no reason that the Board would be unable to provide an impartial hearing panel.
- The respondent is a member of the local Board and was a member at the time of the alleged violation.
- If litigation or state government agency investigation is pending:
    - In the case of a criminal case, the committee will end any consideration of the violation and hold the file as pending until legal action is completed.
    - In the case of a civil case, the Board will ask its legal counsel to review the complaint and advise whether or not the hearing should proceed.
- Given that the alleged facts are taken as true on their face, a possible violation of the Code of Ethics did occur.

If the grievance committee establishes that a potential violation occurred, and if other requirements of the complaint process are met, the committee will submit the complaint to the Professional Standards Committee for a hearing by an ethics hearing panel.

If the grievance committee decides there was no violation and dismisses the complaint, the notice must contain the reasons for the dismissal. The complainant may appeal the dismissal to the Board of Directors within 20 days of receiving the dismissal notice, explaining in writing why he or she disagrees with the dismissal. The Directors will review the same material seen by the grievance committee, along with the complainant's explanation of his or her disagreement of the dismissal, and render a final decision. The involved parties are not present at the appeal.

Complaints submitted to the Professional Standards Committee will move on to a hearing. The **ethics hearing panel** is the group that will conduct any full "due process" hearings. A hearing will include sworn testimony, counsel, witnesses, and evidence. A hearing panel is made up of members of an association's professional standards committee.

After a hearing, the panel will decide whether there has been a violation of the Code. Any violation must be supported by clear, strong, and compelling proof. If the panel decides that there was a violation, they must then determine what discipline they will impose on the violator. Discipline could include:

- Letter of warning.
- Letter of reprimand.
- Requirement to attend the ethics portion of a designated course or other appropriate course or seminar.
- Fine not to exceed $15,000.
- Probation for not less than 30 days or more than one year.
- Membership suspension for not less than 30 days or more than one year, with automatic reinstatement at the end of the suspension period.
- Expulsion from membership for one to three years, with reinstatement by application only.
- Suspension or termination of MLS rights and privileges.

In addition, the panel may also impose an administrative processing fee of up to $500. However, such processing fees should be the same for all cases, subject to association policy and not based on the specific case itself. Any administrative fee imposed would be in addition to, not part of, any disciplinary fine imposed.

The chief reason for imposing discipline for an ethics violation is to create a keen awareness of and appreciation for the Code. The hearing panel may impose more than one form of discipline. If a person engages in more serious or repeated violations, the panel might choose to impose more severe forms of discipline or multiple forms of discipline.

Note that the forms of discipline available to the hearing panel do not deal with probation, suspension, or revocation of the REALTOR®'s real estate license. The hearing panel does not determine license violations and is not authorized to discipline those types of violations.

Arbitration

While ethics complaints are based on violations of the Code of Ethics, arbitration issues are typically monetary disputes among broker members of the Association.

Article 17 of the Code of Ethics says that *"in the event of contractual disputes or specific non-contractual disputes … between REALTORS® (principals) associated with different firms, arising out of their relationship as REALTORS®, the REALTORS® shall mediate the dispute if the Board requires its members to mediate. If the dispute is not resolved through mediation, or if mediation is not required, REALTORS® shall submit the dispute to arbitration in accordance with the policies of their Board rather than litigate the matter."*

The specific non-contractual disputes covered by this Article are listed in Standard of Practice 17-4. It would be a good idea for all real estate professionals to become familiar with these disputes by reading the content of Article 17 and its associated Standards of Practice.

The grievance committee also plays a role in arbitration. The committee will complete an initial screening similar to the type of screening it does when reviewing ethics complaints. It will confirm a lot of the same information it does for ethics complaints, as well as answering these questions:

- If the claims in the request for arbitration are taken as true on their face, is the matter at issue related to a real estate transaction that could be arbitrated properly; in other words, is there some basis on which an arbitration hearing could base an award?
- If an arbitrable issue exists, are the parties required to arbitrate or is their participation voluntary?
- Is the amount of the dispute too small or too large for arbitration?
- Is the matter too complex legally, involving matters that the arbitrators may not be able to address in a knowledgeable manner?
- Are there enough well-informed arbitrators available to address the issue?

As with mediation, this review is **not** a hearing on the merits, but rather a preliminary analysis to determine if a hearing is necessary.

The **arbitration hearing panel** is the group that will conduct any full "due process" hearings. As with an ethics hearing, an arbitration hearing will include sworn testimony, counsel, witnesses, and evidence. The hearing panel is made up of members of an association's professional standards committee.

After a hearing, the panel will decide who is entitled to an award, as demonstrated by a preponderance of the evidence. The panel uses the NAR's Arbitration Guidelines in the *Code of Ethics and Arbitration Manual* as the basis for its decision. The focus of the decision is typically "procuring cause" because that is the reason for most disputes between brokers.

There are no predetermined rules for deciding which party should receive the disputed commission, but there are several important considerations. Since procuring cause is the primary factor in making a decision, the panel must consider all pertinent events, testimony, and evidence, including the first showing of the property and the writing of an accepted offer.

Other procuring cause considerations could be:

- Starting a series of events without interruption that result in the sale.
- Whether there was a lack of contact and communication of the party to the contract.
- The type of contracts and status of the transaction.
- The relationship of the parties.

No sole consideration establishes procuring cause. The panel must reflect on all relevant conduct of the parties related to the transaction.

After appropriate consideration, the panel will decide which licensee is entitled to the disputed commission. The awards may be judicially enforced when not paid by the non-prevailing party. **Note:** Many associations require that when awards are not paid, an equal amount must be deposited with the association until the hearing process can be reviewed or during the time any legal challenge is pending.

Pathways to Professionalism

We have discussed the fact that the Code of Ethics establishes enforceable standards of conduct for REALTORS® to follow. However, the Code does not address issues surrounding courtesy or etiquette. For that reason, a subgroup of the Professional Standards Committee developed a list of professional courtesies that agents should follow. Following these courtesies is **strictly voluntary** and cannot form the basis for a professional standards complaint. Also, this list is not comprehensive. It can be supplemented according to local customs and practices.

The list is divided into three sections:

- Respect for the Public
- Respect for Property
- Respect for Peers

Here is the list as it appears on page 262 of the *NAR Code of Ethics and Arbitration Manual.*

Respect for the Public

1. Follow the "Golden Rule": Do unto others as you would have them do unto you.
2. Respond promptly to inquiries and requests for information.
3. Schedule appointments and showings as far in advance as possible.
4. Call if you are delayed or must cancel an appointment or showing.
5. If a prospective buyer decides not to view an occupied home, promptly explain the situation to the listing broker or the occupant.
6. Communicate with all parties in a timely fashion.
7. When entering a property, ensure that unexpected situations, such as pets, are handled appropriately.
8. Leave your business card if not prohibited by local rules.
9. Never criticize property in the presence of the occupant.
10. Inform occupants that you are leaving after showings.
11. When showing an occupied home, always ring the doorbell or knock—and announce yourself loudly—before entering. Knock and announce yourself loudly before entering any closed room.
12. Present a professional appearance at all times; dress appropriately and drive a clean car.
13. If occupants are home during showings, ask their permission before using the telephone or bathroom.
14. Encourage the clients of other brokers to direct questions to their agent or representative.
15. Communicate clearly; don't use jargon or slang that may not be readily understood.
16. Be aware of and respect cultural differences.
17. Show courtesy and respect to everyone.
18. Be aware of—and meet—all deadlines.
19. Promise only what you can deliver—and keep your promises.
20. Identify your REALTOR® and your professional status in contacts with the public.
21. Do not tell people what you think—tell them what you know.

Respect for Property

1. Be responsible for everyone you allow to enter listed property.
2. Never allow buyers to enter listed property unaccompanied.
3. When showing property, keep all members of the group together.
4. Never allow unaccompanied access to property without permission.
5. Enter property only with permission even if you have a lockbox key or combination.

6. When the occupant is absent, leave the property as you found it (lights, heating, cooling, drapes, etc.). If you think something is amiss (e.g., vandalism) contact the listing broker immediately.

7. Be considerate of the seller's property. Do not allow anyone to eat, drink, smoke, dispose of trash, use bathing or sleeping facilities, or bring pets. Leave the house as you found it unless instructed otherwise.

8. Use sidewalks; if weather is bad, take off shoes and boots inside property.

9. Respect sellers' instructions about photographing or videographing their properties' interiors or exteriors.

Respect for Peers

1. Identify your REALTOR® and professional status in all contacts with other REALTORS®.

2. Respond to other agents' calls, faxes, and e-mails promptly and courteously.

3. Be aware that large electronic files with attachments or lengthy faxes may be a burden on recipients.

4. Notify the listing broker if there appears to be inaccurate information on the listing.

5. Share important information about a property, including the presence of pets, security systems, and whether sellers will be present during the showing.

6. Show courtesy, trust, and respect to other real estate professionals.

7. Avoid the inappropriate use of endearments or other denigrating language.

8. Do not prospect at other REALTORS®' open houses or similar events.

9. Return keys promptly.

10. Carefully replace keys in the lockbox after showings.

11. To be successful in the business, mutual respect is essential.

12. Real estate is a reputation business. What you do today may affect your reputation—and business—for years to come.

Sample Case Interpretations

The following cases, taken from the Case Interpretations section of the NAR website, will give you some idea as to how cases are handled. You can review a number of examples, arranged by Article number, at http://www.realtor.org/code-of-ethics-and-arbitration-manual/table-of-contents. Scroll to the bottom of the page under the heading "Interpretations of the Code of Ethics."

Duties to Clients and Customers

Related to Article 2: REALTORS® must refrain from exaggeration, misrepresentation, or concealment of pertinent facts related to property or transactions.

Case #2-2: Responsibility for Sales Associate's Error

(Revised Case #9-5 May, 1988. Transferred to Article 2 November, 1994.)

REALTOR® A, a REALTOR® principal, was asked to list a neglected house that obviously needed a wide range of repairs. He strongly advised the owner that it would be to his advantage to put the house in good repair before offering it for sale, but the owner wanted it sold at once on an "as is" basis. REALTOR® A wrote a novel advertisement offering a "clunker" in poor condition as a challenge to an ambitious do-it-yourself hobbyist.

A few days later, Sales Associate B, who was not a Board member, from REALTOR® A's office showed the house to a retired couple who liked the location and general features, and who had been attracted by the ad because the husband was looking forward to applying his "fix-up" hobby to improving a home. The sale was made. Shortly thereafter, REALTOR® A was charged by the buyer with having misrepresented the condition of the property.

REALTOR® A accompanied Sales Associate B to the hearing, armed with a copy of his candid advertisement. The hearing established that the buyer fully understood that the house was represented to be generally in poor condition, but that while inspecting the house with a view to needed repairs, Sales Associate B had commented that since the house was of concrete block and stucco construction, there would be no termite worries since termites could not enter that type of construction. Sales Associate B confirmed this and his belief that the statement was correct. However, after the sale was made, the buyer ripped out a sill to replace it and found it swarming with termites, with termite damage to floors in evidence. Further questioning established that there had been no evidence of termite infestation prior to the sale, and that the Sales Associate had volunteered an assurance that he thought was well grounded.

REALTOR® A, prior to the conclusion of the hearing, offered to pay the cost of exterminating the building and the cost of lumber to repair termite damage in view of Sales Associate B's failure to recommend a termite inspection, which was the usual and customary practice in this area. The complainant stated that this would satisfy him completely. It was the Hearing Panel's view that while REALTOR® A's actions were commendable, and would be taken into account by the Hearing Panel, REALTOR® A was still responsible for the errors and misstatements of the sales associates affiliated with him. The Hearing Panel concluded that REALTOR® A was in violation of Article 2.

Duties to the Public

Related to Article 12: REALTORS® must paint a true picture in their advertising and in other public representations.

Case #12-1: Absence of Name on Sign

(Reaffirmed Case #19-3 May, 1988. Transferred to Article 12 November, 1994. Revised November, 2001.)

Prospect A observed a sign on a vacant lot reading: "For Sale—Call 330-5215." Thinking he would be dealing with a For Sale by Owner, he called the number on the sign. He was surprised and offended that the lot was exclusively listed by REALTOR® A, and the telephone number on the sign was the home number of REALTOR-ASSOCIATE® B in REALTOR® A's office.

Prospect A filed a complaint against REALTOR® A and REALTOR-ASSOCIATE® B. REALTOR® A and REALTOR-ASSOCIATE® B alleging a violation of Article 12 of the Code of Ethics.

At the hearing, REALTOR® A stated that he permitted REALTOR-ASSOCIATE® B to put up the sign. REALTOR-ASSOCIATE® B's defense was that the sign was not a "formal" advertisement, such as a newspaper advertisement, business card, or billboard, to which he understood Article 12 to apply.

The Hearing Panel determined that the sign was an advertisement within the meaning of Article 12; that its use violated that Article of the Code; and that both REALTOR® A and REALTOR-ASSOCIATE® B were in violation of Article 12.

Duties to REALTORS®

Related to Article 16: REALTORS® must respect the exclusive representation or exclusive brokerage relationship agreements that other REALTORS® have with their clients.

Case #16-1: Confidentiality of Cooperating REALTOR®'s Participation

(Revised Case #21-5 May, 1988. Transferred to Article 16 November, 1994.)

When Client A listed his home for sale with REALTOR® B, he explained that he wanted the sale handled without advertising and without attracting any more attention than was absolutely necessary. He said he understood that he would have to have some contacts with prospective buyers and possibly with other REALTORS®, but that he did not want the property filed with the MLS, advertised, or in any way publicly announced as being on the market. He asked REALTOR® B to impress the same restrictions on any other REALTORS® who might become involved in the transaction.

REALTOR® B, having reason to think that REALTOR® C was in touch with prospective buyers to whom the property would appeal, approached REALTOR® C to invite his cooperation, and explained fully the Client's instructions. REALTOR® B discussed the matter with no other REALTOR® and refrained from any kind of advertising of the property. But a few days later, REALTOR® B learned that REALTOR® D was discussing the property with prospective buyers, knew that REALTOR® C was working on it, knew the price at which the property had been listed, and other details about it. Questioning revealed that REALTOR® C had told REALTOR® D that he was working on the sale of the property.

On the basis of the information from REALTOR® D, REALTOR® B charged REALTOR® C with unethical conduct in a complaint to the Board of REALTORS® specifying that REALTOR® C's breach of confidence under the circumstances was a failure to respect his, REALTOR® B's, exclusive agency, and that this action had jeopardized his relationship with his client.

The complaint was referred to the Board's Professional Standards Committee, a hearing was scheduled, and REALTOR® C was directed to answer the charge of unethical conduct in violation of Article 16.

At the hearing, REALTOR® B detailed the instructions of the client and the manner in which he had conveyed them to REALTOR® C in inviting his cooperation. REALTOR® D told the Hearing Panel that REALTOR® C had discussed the listing with him. REALTOR® C defended himself against the charge of violating Article 16 by saying that while he had discussed the matter briefly with REALTOR® D, he had not expressly invited his cooperation, and, therefore, had not violated Article 16.

At the conclusion of the hearing, the panel held that REALTOR® B's complaint was valid; that proper respect for his exclusive agency and the circumstances under which it existed required REALTOR® C to observe the confidence entrusted to him and that REALTOR® C's discussion of the matter with REALTOR® D was in violation of Article 16.

MODULE 2 REVIEW – BUSINESS ETHICS FOR REAL ESTATE PROFESSIONALS

You are *not* required to answer the module review questions to complete the 14-hour course. They are intended to help prepare you for the Final Exam. Choose the best response to each question. The answers are found in the back of the book.

1. Which is *not* considered to be unethical behavior?

a. taking credit for work you did not do
b. cheating on an exam
c. selling a rundown house and disclosing known defects
d. sexually harassing someone at work

2. The Articles of the NAR Code of Ethics deal with all of the following duties, EXCEPT:

a. Duties to clients and customers
b. Duties associated with the Brokerage Relationship Disclosure Act
c. Duties to the public
d. Duties to other REALTORS®

3. The sections in Pathways to Professionalism do *not* include:

a. Respect for Peers
b. Respect for the Public
c. Respect for Pets
d. Respect for Property

4. The act of "outing" someone for illegal or unethical behavior is:

a. a legal issue that should be dealt with by HR.
b. an act that normally involves retaliation by the person outed.
c. generally not recommended due to repercussions that may occur.
d. called whistleblowing and can be reported internally, externally, to law enforcement, or to a third party.

5. Good ethical practices have to do with:

a. honesty
b. competence
c. trustworthiness
d. all of the above

How did you do? Remember, we have instructors available to assist you throughout your learning experience.
Email: REinstructor@BertRodgers.com or call 941-378-2900 ext. 502